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State bond sale draws record bidder interest

OLYMPIA, Wash. — Washington state attracted a record 17 bidders for one of three bond issues Tuesday in competitive offerings at the Office of the State Treasurer.

The high number of bidders for the Series 2006T issue broke the record of 13 bidders for a single issue set in July 2002 and matched in July 2004, State Treasurer Michael J. Murphy said. Murphy is chair of the State Finance Committee, which met following the bidding to award the sales..

Competitive bidding also yielded one of the slimmest margins of victory in recent years for the Series 2006B issue. Morgan Stanley and Co. edged out Merrill Lynch & Co. for the lowest true interest cost (TIC) bid, 4.3751978 percent to 4.3752106, a margin of .0000128 percent (roughly 13 hundred-thousandths of a percent).

“This just shows how valuable it is to have competitive offerings,” said Murphy, who chairs the State Finance Committee. “We know the product we’re offering is attractive in the marketplace, and we have 17 bids on one issue to prove it. Plus, we got very good interest rates on all our issues today.”

In other business, the State Finance Committee authorized the updating of authority to refund (refinance) bonds issued since the last “omnibus” refunding resolution in July 2001. These resolutions authorize the refunding of outstanding bonds as market conditions permit. Since March 1995, when the first of three previous omnibus resolutions was passed, the state has issued more than \$3.65 billion in refunding bonds, gaining the state more than \$278 million in net present value savings.

Merrill Lynch was the winning bidder on \$229.89 million of Series 2006A bonds with a TIC bid of 4.443635 percent. Series 2006A bonds are various purpose general obligation bonds, the proceeds of which fund state capital projects and buildings and facilities for higher education. Also bidding were Lehman Brothers (4.448118 percent), Bear, Stearns & Co. (4.459631) and Goldman Sachs & Co. (4.465661).

Morgan Stanley was the narrow winner for \$197 million in motor vehicle fuel tax bonds (Series 2006B), edging Merrill Lynch. Proceeds of the bonds support transportation construction or improvements and improvement of state and local highways. Also bidding were Bear, Stearns (4.382507 percent TIC), Goldman, Sachs (4.386480) and Citigroup Global Markets Inc. (4.402763).

Bear, Stearns offered the lowest TIC bid (4.538238 percent) in the crowded field of 17 for \$64.2 million in taxable various purpose general obligation bonds (Series 2006T). Bond proceeds will be used for housing assistance, weatherization and affordable housing projects; the Washington State University Tri-Cities bio-products facility; and a transfer of funds from the state Taxable Building Construction Account to the state Drought Preparedness Account.

Also bidding on Series 2006T were UBS Financial Services Inc. (4.543927 percent), RBC Dain Rauscher Inc. (4.551672), BB&T Capital Markets (4.552402), Raymond James & Associates (4.553711), First Albany Capital Inc. (4.567145), Legg Mason Wood Walker Inc. (4.568604), Goldman, Sachs (4.569332), Merrill Lynch (4.573584), Citigroup (4.573826), Morgan Keegan & Co. (4.577265), Lehman Brothers (4.578978), Morgan Stanley (4.590448), Bank of America Securities LLC (4.595741), Griffin, Kubik, Stevens & Thompson Inc. (4.604951), Piper Jaffray (4.604979) and Popular Securities Inc. (4.616220).

Treasurer Murphy chairs the State Finance Committee. The committee's other members are Gov. Christine Gregoire and Lt. Governor Brad Owen.

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